



## EMMEC Meeting – Summary

<b>Meeting title</b>	EMMEC meeting
<b>Date and time</b>	27 June 18h30 – 28 June 2023– 16:30 CET
<b>Location</b>	EMMI premises in Brussels and conference call
<b>Attendees</b>	<p><b>EMMEC Members</b></p> <p>F. PAILLOUX (Chair) – ACI France P. LE VEZIEL – ACI France L. BRANDTNER – TMA Austria R. BRUNNER – TMA Austria H. WESTERMANN – AEFMA Germany P. BYRNE – ACI Ireland M.C. LEGE – Assiom Forex Italy S. CIMINO – Assiom Forex Italy C. ORIGER – LFMA Luxembourg C. HUSS – LFMA Luxembourg V. GIUNTA – LFMA Luxembourg F. BESET – ACI Netherlands J. M. TASSARA – ACI Spain J. PIASKO – ACI Suisse K. LARSEN – ACI FMA M. PESONEN – Nordea J. LARDINOIS – ACI Belgium M. DE BOSSCHER – ACI Belgium C. WICHMANN – ACI Denmark T. KOEFOED – ACI Denmark E. SCHMIDT – ACI Denmark</p> <p><b>Guest speakers</b></p> <p>P. MAREY – RABOBANK M. TEIG – HVB/UNICRECIT M. ENCIO – ECB A. ANNENKOV – SOCIETE GENERALE</p> <p><b>Observers</b></p> <p>J. JACKOVICKA – ECB F. HEBEISEN – ACI France R. CAPPARELLI – EMMI F. NUNZIANTE – EMMI</p>

	<p>J-L SCHIRMANN – EMMI</p> <p><b>EMMEC Secretariat</b></p> <p>P. DE DEYNE – EMMI</p> <p>G. DILLEN – EMMI</p>
Agenda items	Speaking points
<b>Introduction</b>	<p>EMMEC members were reminded of competition law, confidentiality and conflicts of interest.</p> <p>ACI Denmark was admitted to EMMEC as a new member, by unanimous consent.</p> <p>J-L Schirmann expressed EMMI’s ambition for EMMEC.</p>
<b>Item 1</b>	<p><b>Members’ roundtable: speaking points</b></p> <ul style="list-style-type: none"> <li>• Inflation remains high, driven by demand. Some thought that it could take another year before real impact on the industry in Europe is felt; in certain countries so far no signs of recession felt. Others indicated claims for salary rises as households affected and mortgage struggles emerging in their respective countries. UK and US already hurt by rising mortgages. Some countries slowing down import. Still other members felt that upcoming industry trends (Distributed Ledger Technology/Blockchain, Artificial Intelligence) could push the market forward.</li> </ul> <p>Members still expect Interest rates hikes as inflation reduction key target for central banks. Potentially different approach in the US. Impact of hikes limited as rates already much above the neutral rate (estimated by the FED at 2.75%). Levels of TLTRO early repayments: some members are interpreting this low level as a higher need of ratios o/w LCR after the Crédit Suisse bankruptcy.</p> <p>Pressure felt on banking spreads and covered bonds, especially in the long end. NSFR stress could come up in H2, with the less effectiveness of the TLTRO notably.</p> <p>“Arbitrage ” opportunities €STR-Bor in the short end on the back of excess liquidity, TLTRO and LCR buffers. Steepening of the curve to be expected as excess liquidity gradually dries up</p> <p>Savings and amounts on current accounts seen going down. Also, redistribution of funds between banks and asset managers. Importance of diversification in funding sources.</p> <ul style="list-style-type: none"> <li>• T2 T2S Transition: <ul style="list-style-type: none"> <li>• One member identified a number of issues (i) transition at the end of March lead to some disruptions in the system and loss of opportunity for placements, (ii) efficiency and stability of the platform not satisfactory and (iii) new scheme for wider cut-off time desirable.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Not all members had experienced the same degree of concern in their respective countries, but overall, problems with connectivity and EOD reporting were common.</li> <li>• T2 Contact Group at ECB was mentioned, which had been presented with a list of problems already. The ECB Target Desk located in each single national central banks found helpful for the majority of participants.</li> <li>• The idea to form a subgroup within EMMEC to list and submit further issues was proposed; it was suggested to take feedback at national level first before deciding to go ahead with this idea. Members will be contacted in this respect.</li> <li>• The minutes of the latest T2 CG meeting in June will be published on ECB website and so at disposal for the EMMEC members when available.</li> </ul>
<p><b>Item 2</b></p>	<p><b>Presentation: The aftermath of the SVB / CS debacle – Mr P. Marey (Senior Strategist, Rabobank)</b></p> <p>Discussion among members on the following points:</p> <ul style="list-style-type: none"> <li>• Higher capital requirements / HQLA no solution to prevent bank runs, nor full coverage of deposit base. Overfilling of regulatory ratios not sustainable in the long run. Adequacy of LCR questioned.</li> <li>• Consistent profitability and diversification of funding counterparties / depositor base found key.</li> <li>• Members discussed how to identify hot money and incentivize to deposit longer. Potential impact on lending standards / term premiums as longer funds used to fund credit. Speed at which stable money becomes hot and moves cause of concern: need for “sticky money” an issue in environment of rising rates. Stickiness shows where the competition pays.</li> <li>• Digital cash / instant payments need to be capped. Some members already apply thresholds and delays; still difficult to implement for retail.</li> <li>• New competition felt from governments in some countries with issues of retail bonds.</li> </ul>
<p><b>Item 3</b></p>	<p><b>Presentation: The impact of long-term ratios on short-term position management – Dr M. Teig (Credit Strategist Financials, HVB/Unicredit)</b></p> <p>Discussion among members on the following points:</p> <ul style="list-style-type: none"> <li>• Recalibration of buckets: impact on capital requirements would be limited as national capital buffers still applicable</li> <li>• Positive impact of transactions in Evergreens of 366 days</li> <li>• Impact of upcoming calls on senior debt: need for more money market funding</li> <li>• LCR outflow assumptions may be reviewed, potential impact on HQLA requirements</li> </ul>

<p><b>Item 4</b></p>	<p><b>Presentation: The Euro Money Market Study 2022 – Ms M. Encio (Lead Economist, ECB)</b></p> <p>Q &amp; A on the following points:</p> <ul style="list-style-type: none"> <li>• Low secured volumes in the longer term, seems contradictory to monetary policy? → still little interest from investors who prefer very short term in anticipation of further hikes</li> <li>• Influence of CCPs as liquidity providers/takers on the money markets and collateral scarcity? → not very relevant as most active in OIS transactions (secured) and as most of them operating from their banking arm.</li> <li>• €STR–DFR spread: → no decline yet but should reduce with excess liquidity trimming; evolution probably noticeable at year end</li> <li>• More frequent MM studies to be expected? → No current plans but option that could be considered.</li> <li>• MMSR used to monitor individual banks? → Yes, very helpful tool to understand tensions, liquidity needs etc</li> </ul>
<p><b>Item 5</b></p>	<p><b>Presentation: Key macroeconomic indicators at the current juncture – Mr A. Annenkov (Senior European Economist, Société Générale)</b></p> <p>Discussion among members on the following points:</p> <p>Expectation of no recession in Europe despite rising rates: backed by resilience in the Euro zone (strength of fiscal savings over 5%), expectations of structural shift in allocation of investment with a reduction of current account surplus over the next 10 years due to green transition.</p> <p>Situation in US different with labour market less strong and fiscal policy: closer to mild recession but spillover should be contained.</p> <p>Housing market not major cause for concern; some issues in Sweden and UK though but debt ratios no signs of vulnerabilities as banks are now better protected to face housing crisis</p> <p>Markets still pricing inflation as high in 5yrs/5yrs forwards, but economists seem to have reasons to be optimistic; markets should reprice longer end if recession not on the cards.</p> <p>Inflation also set to reduce as energy trending down, fiscal policy should contain wage rise spiral. Some members do not see soft landing though.</p> <p>ECB QT as of next year could be challenging with losses generated from balance sheet reduction over period of time.</p>
<p><b>AOB</b></p>	<ul style="list-style-type: none"> <li>• Suggested agenda topics for next meetings: <ul style="list-style-type: none"> <li>• Instant payments</li> <li>• End of TLTRO and impact on secured vs unsecured financing</li> <li>• Commercial paper – covered bonds</li> <li>• Callable deposits</li> </ul> </li> </ul>

- NeuCP data / extension of tenors
- Change in ECB operational framework – floor / corridor model
- Quick summary of the MMCG June 21st session presented by ECB
- Promotion of EMMEC:
  - EMMI linked-in post on the day
  - Article in upcoming EMMI newsletter
  - Kind proposal by LFMA for communication on EMMEC later this year
- Next meeting: 20-21 September, Madrid